

35.

The Morales Family: A Case Study in Budgeting

OBJECTIVE: Using a case study, participants will summarize spending information for a family in a budget format, calculate average monthly income and expenses, and assess how to adjust spending to better meet a family's financial needs.

TIME: 60 minutes

MATERIALS:

Morales Family Case Study for each participant

Calculators for each small group and for the trainer

TALKING POINTS:

The purpose of this exercise is to familiarize participants with the basic processes for establishing a budget based on actual spending behavior, and then to do an initial analysis of how improvements to the budget could be made. This exercise was designed to emphasize specific skills and activities that are critical in budgeting:

- The process of converting daily spending behavior into a weekly summary, into a basic monthly summary, which is the first step in the development of an accurate budget.
- The critical assessment of whether spending is more than, less than, or equal to monthly income and the process of making adjustments to one's spending to improve this.
- The balance between spending money on every day living needs (ranging from rent to the spur of the moment purchases made on a whim) and diverting income to savings or to debt reduction.

Because this exercise mirrors many of the key activities in budgeting, additional points for discussion could include how tracking one month's expenses is not sufficient to capture one's financial life for a year, and the difference between fixed and flexible expenses. The latter is specifically relevant to reducing the Morales' expenses, so that they are better in line with their income.

ACTIVITY:

Distribute the Morales Family Case Study to each participant. Divide the class into small groups of three or four, and provide each group with a calculator.

Ask the groups to go through the Morales case study, reading about the family and completing the different activities designed to help the Morales family find the money to save for a home.

The case study will help each group:

- Complete a summary of their actual monthly expenditures,
- Develop a current budget, and
- Make recommendations for changes that will help the family adjust their budget to help meet their larger financial goals.

When the groups have completed the activity, have the different groups present their recommendations for savings.

Lead a discussion based on the questions listed at the end of the case study.